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RUEHPE/AMEMBASSY LIMA PRIORITY 0597
RUEHSG/AMEMBASSY SANTIAGO PRIORITY 0178
RUEAIIA/CIA WASHDC PRIORITY
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RUEATRS/DEPT OF TREASURY WASH DC PRIORITY
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DEPT FOR WHA/CEN - SCHIFFER
ALSO FOR WHA/EPSC - URS AND GUMBINER
ALSO FOR EB/TPP/BTA - LAMPRON
STATE PASS USTR - SCHWAB, CROWDER, LATIMER, FEDCHOK, AND
MALITO
ALSO PASS USDA/FAS/ITP - SPITZER
USDOC/MAC FOR GAISFORD

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TAGS: [EAGR](#) [ECON](#) [ETRD](#) [PREL](#) [PGOV](#) [PM](#)
SUBJECT: FTA: GOP WRESTLES WITH POLITICAL STAKES AND
TECHNICAL SOLUTIONS

REF: PANAMA 0147 AND PREVIOUS

Classified By: Ambassador William A. Eaton for Reasons 1.5
(b and d)

11. (C) Summary: President Martin Torrijos told visiting U.S. Representative Sander Levin on Jan. 26 that he is committed to resolving USG concerns on sanitary and phytosanitary (SPS) issues and to concluding a free trade agreement (FTA) with the U.S. Public support for the FTA has slipped dramatically over USTR's controversial proposed "SPS side letter." The GOP faces intense political pressure to resist signing a side letter. Left-leaning members of Torrijos' ruling PRD party have pilloried Vice President/Foreign Minister Samuel Lewis Navarro (SLN) and Trade Minister Alejandro Ferrer for having "nothing" to show for promoting close ties with the U.S. They are also pressing Torrijos to put the FTA on ice indefinitely and to turn to Venezuela's Hugo Chavez for help in lessening Panama's energy woes. The GOP is anxious to find a "face-saving" way out. By February 28, Torrijos expects to decree the creation of an autonomous, science-based SPS entity. The GOP also is forming a technical team to visit the U.S. for purposes of making an equivalency determination. The Embassy continues to stress the importance of focusing on solving the technical issues on SPS and we are working with pro-FTA allies to boost flagging public support for free trade. End Summary.

Torrijos Stresses Commitment to Free Trade & Fixing SPS

12. (C) President Martin Torrijos told visiting U.S. Representative Sander Levin on January 26 that the GOP will continue to support free trade despite trends to the contrary elsewhere in the region because it is key to tackling Panama's persistent poverty, continued high rates of unemployment, and wide income disparities. Torrijos said he is still anxious to reach agreement with the U.S. He acknowledged Panama's abuse of sanitary and phytosanitary

(SPS) measures to restrict agricultural imports. Torrijos stressed his commitment to addressing the concerns of the U.S. and other trading partners regarding the GOP's history of arbitrary import licensing practices. He said that by February 28, he will issue a decree to create a new, autonomous, science-based entity to address plant and animal health. Torrijos said that this is part of the GOP's move to modernize the government and to promote increased transparency. He said the GOP sees its self-interest in doing so, not because it wants to placate the U.S. or other trading partners.

13. (C) Torrijos and First Vice President/Foreign Minister Samuel Lewis Navarro (SLN) said they were surprised at how the controversy that erupted over USTR's proposed "side letter" on SPS prompted a "180 degree change" in public attitudes on the FTA. Torrijos said his personal popularity fell by 10 points following the GOP's failure to close a deal at the Jan. 10-13 round of negotiations. (Comment: He neglected to mention that the growing unhappiness of Panamanians over rising energy prices likely figures his popularity polls. End comment.) Former Agriculture Minister Laurentino Cortizo, whose noisy Jan. 10 resignation over the issue sparked considerable controversy in Panama, accused the U.S. of strong-arming the GOP in a unilateral move to weaken Panama's plant and animal health regime. This rallied Panama's anti-free traders around the banner of "sovereignty" and public health. As a result, Torrijos said, he is under intense political pressure to resist signing a side letter, even as the GOP seeks to solve the underlying issues scientifically.

GOP Reformers Face Hostile Fire, Seek Face-Saving Out

14. (C) Immediately following the Torrijos-Levin meeting, Trade Minister Alejandro Ferrer pulled Econ Chief aside to share his distress over the growing flack that he and SLN are taking from left-leaning members of Torrijos' ruling PRD party. Ferrer (who is not a PRD member) said that Housing Minister Balbina Herrera and other "old guard" PRD members pilloried him and SLN during a heated 5-1/2 hour meeting on January 25. In blasting the two for pushing the Torrijos administration closer to the U.S., they complained that "this is what they (the U.S.) do to us" and that "this is what you have to show for it?" Ferrer said old-guard PRDistas pushed hard to put the FTA indefinitely on ice, ostensibly to push the GOP's planned referendum on the Panama Canal expansion to front of Torrijos' agenda. He said they also pushed for the GOP to turn to Venezuela's Hugo Chavez to get help, for example, on Panama's energy woes.

15. (C) Noting that GOP polls showed public support for the FTA dropping from 52% to 32%, Ferrer seemed desperate to regain the initiative (if not his credibility) and to re-establish some forward momentum on the deal. He emphasized that he and new Agriculture Minister Guillermo Salazar remained committed to fixing Panama's SPS administration once and for all. He also said that the GOP is assembling its team of technical experts to visit the U.S. as soon as possible to conduct the analysis it needs for any determination of SPS equivalency.

16. (C) Ferrer appealed for greater USG understating of the GOP's need for a "face-saving" solution and for cooperation to explore possible ways forward. He suggested that, in connection with the visit of GOP technical staff for equivalency purposes, technicians from both sides might review together the main technical sticking points in the SPS side letter, with a view to clearing up any "misunderstandings" and to identify specific actions and provisions that must be spelled out in the letter. Ferrer said he was still perplexed by USTR's resistance to closing the deal, but leaving itself an out to ditch the it if the GOP does not deliver on equivalency within the 90-days "fast track" notification period.

¶17. (U) On Feb. 1, the UN Food and Agriculture Organization briefed the GOP and the press on the "deficiencies" it sees with Panama's SPS administration. The FAO's comments received wide media play and helped to reinforce the concerns of the U.S. and others.

¶18. (SBU) Also on Feb. 1, Chief FTA Negotiation Estif Aparicio passed Econ Chief an initial, 28-page draft of the GOP's proposed "decree law" to create a "National Agricultural Health and Food Safety Authority" (with the Spanish acronym "ANSASA") to administer SPS functions. Under the "extraordinary powers" granted by Panama's National Assembly to President Torrijos, the president has until February 28 to legislate by decree on this issue (among nine others). The draft represents an ambitious, albeit imperfect, proposal to create an autonomous entity within the Executive branch, with its own budget, that houses existing functions pulled from the Ministries of Agriculture and Health. The draft decree stipulates that ANSASA would follow the WTO's SPS accord, the OIE's animal health codes, the Codex Alimentarius, and the Convention on Biodiversity's Cartagena Protocol on biosafety.

¶19. (U) As currently proposed, ANSASA would be overseen by an 8-member Board of Directors chaired by the Agriculture Minister and including the Health Minister, Trade Minister, the Minister of Economy and Finance, the ANSASA Administrator, and representatives of three private sector chambers. It would also have a 15-member "Consultative Technical Council" composed of the ANSASA Deputy Administrator, the national Directors of various plant and animal health offices and labs, the Deans of the University of Panama's agricultural and veterinary schools, and three private sector representatives.

¶110. (SBU) On Feb. 3, Econ Chief provided the GOP with Post's initial reactions, including concerns that the private sector in ANSASA's governing structures could undermine the entity's objectivity and credibility. As the draft also excludes any mention of "equivalency," the decree, as drafted, would not explicitly empower ANSASA to make or grant equivalency determinations. Trade Ministry staff appeared receptive to our concerns and said they were already revising the draft in response to similar comments provided by the FAO. However, it remains to be seen whether the GOP was sufficiently "locked in" with this proposal or whether it will ultimately fix the draft decree's weaknesses. Post has not yet received a revised draft, nor has the GOP promulgated the decree.

FTA Proponents Seek to Recover Lost Ground

¶111. (SBU) Free trade advocates have been in a funk in recent weeks owing to the GOP's inability to either close or sell the FTA. They are also unhappy at the public's gullible acceptance of misinformation proffered by Cortizo and the agricultural sector's mercantilist factions. Despite the pro-FTA tilt of most editorial commentary, mainstream and tabloid press regurgitation of allegations about USG aims has made it almost conventional wisdom that the U.S. wants to "weaken" Panama's SPS regime or that we have violated Panamanian sovereignty. Leaders of a "National Pro-FTA Coalition" formed by Panama's top business chambers gathered January 31 at a dinner hosted by the Ambassador to seek ways to take concerted action reverse the ebbing tide of public support for the FTA. The Ambassador continues to be outspoken on the issue, including appearances before major business groups and a highly visible Jan 25-26 visit to Panama's agricultural heartland, Chiriqui Province. The Embassy will continue to work with pro-FTA allies to boost public support for free trade and to refute baseless charges against the USG.

Comment

¶112. (C) The GOP touts this FTA with the U.S. - its largest

trading partner - as a high priority. President Torrijos and his administration would be judged harshly if the GOP ultimately fails to conclude an agreement, whatever the reasons.

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